



Oil Heat Advisory Committee Meeting  
Thursday, May 27, 2004 - 1:00 p.m. – PLIA Office

**Members Present:** Calvin Caley (PNOHC); Dale Copper (WOMA); Frank Holmes (WSPA); Jim Pendowski (Dept. of Ecology); Jodi Thompson (Consumer); Earl Tower (Consumer); Jim Ledbetter (Consumer); Roger Dovel (PLIA); Lynn Gooding (PLIA); Andrea Moss (PLIA); Ginny Ristine (PLIA)

**Guests Present:** Pat Dunn (Patrick Dunn & Associates, Ltd.); Dan Knellekan (Genesee)

Roger Dovel, Director of PLIA, called the meeting to order at 1:00 p.m.

#### **Introductions**

Introductions began with Roger expressing his thanks for all those participating on the committee. The key interests of the committee are economical, environmental, and the well-being of homes and businesses using oil heat.

#### **PLIA Background**

Roger provided a background of the agency to the committee. PLIA was established in 1989 in response to the Environmental Protection Agency's new requirements for commercial underground storage tanks (UST), published in 1988. In addition to upgrading USTs, owners and operators were also required to demonstrate financial responsibility using a variety of different methods (insurance, bond, self-insurance, etc.).

It was decided that Washington State would implement a program to provide affordable insurance through a public-private partnership with a private insurance company through a reinsurance treaty. This caused the cost of insurance coverage to the owners of USTs to drop dramatically.

In 1995 the Heating Oil Pollution Liability Insurance Program was added to PLIA's responsibilities. The program provided coverage to the owners of active heating oil tanks and was funded by the oil heat dealers, who imposed a fee on themselves of six-tenths of a cent per gallon sold, to generate revenue for the program.

Jim Pendowski offered to provide data on the decrease of contamination for commercial UST sites.

## **Legislation**

Each member was given a copy of SSB 6286 and was asked for questions or comments.

Earl Tower asked about the expected or anticipated duration of the committee. Jim Pendowski asked if there was a date to report back to the legislature.

Roger explained that the committee will talk about such issues as funding, fees, prevention, education to homeowners and dealers, and regulatory controls. Information and recommendations will be gathered from the committee and presented to the Legislature during the 2006 session.

## **Oil Heat Program**

Ginny Ristine gave an historical overview of the Heating Oil Pollution Liability Insurance Program. In 1995 the program was created to provide up to \$60,000 for cleanup of oil-contaminated soil, the Oil Heat Program Managers were hired, public outreach was conducted in various forms, WAC Rules were developed, and the first registration forms were mailed to the dealers. The program was implemented in 1996. Ginny also reported figures, to date, in regards to the number of registration forms mailed, the number of registered tanks, the number of cleaned up sites, and the number of claims received.

The question was raised as to why 271,000 (cumulative) forms were sent out, but only 61,651 tanks were registered. In response, many of the forms were duplicates, a tank must be registered under each new homeowner, and lack of the owner to register their tank. Census estimates there are over 120,000 heating oil tanks in the state, however because the tanks are not regulated, that number cannot be confirmed.

After much conversation about the percentage of housing stock with oil heat, which was estimated to be around ten percent, Andrea Moss spoke to the committee about the programs operational procedures (registration and claims) and claims management.

Andrea explained that the homeowner must complete a registration form and certify that the tank is active. Once PLIA receives the form the information is entered into the programs database, which contains registration and claim information, and provides various types of reports. Information obtained from the registration form is confidential.

It was asked why there could not be blanket coverage for all owners of active heating oil tanks. The question has been sent to the Attorney General's Office for a formal opinion and PLIA is still awaiting an answer.

Claims are initiated by the homeowner, their representative, and/or their service provider. Site assessments are not preformed by PLIA; it is the homeowner's responsibility to confirm contamination. Upon confirmation, a claim packet is sent to the homeowner. PLIA maintains a list of service providers for the homeowners to choose from. The list is also available at [www.plia.wa.gov](http://www.plia.wa.gov).

PLIA ensures the validity of a claim by ensuring the tank is active at the time of a claim, that the leak commenced after registration, and there is no other insurance which would cover the contamination cleanup. Because PLIA is excess to other insurance, there are some situations where the agency has limited involvement because the owner's homeowners insurance will cover the cleanup. However, this is becoming less of the case as many insurance companies are now only covering contamination if it becomes a third-party claim or effects groundwater. And, some insurance companies are requiring their insured to register with PLIA before they will bind them to a policy.

Once a claim is validated, photos are obtained and the homeowner chooses a service provider. Approval by the homeowner and PLIA prior to work being performed is necessary. Approval may be obtained over the phone under certain circumstances. PLIA pays the service provider directly for the service performed and may reimburse the homeowner up to \$1500 for property restoration. At the same time, PLIA bills the insurance company for their portion of the costs and is reimbursed.

Ginny wrapped up the overview of the Oil Heat Program by discussing cost controls and bioremediation. In an effort to reduce costs, a new cleanup procedure became effective November 24, 2003. PLIA would limit excavation of contaminated soil to 16 tons and treat any remaining contamination exceeding MTCA with bioremediation, to speed up the process of natural attenuation. A **target** amount of \$7,500 would be paid by PLIA; however deviation from this procedure may be approved by PLIA on a case-by-case basis.

Three companies that supply bio product are: Environmental Distribution Network (Lakewood, WA); Oppenheimer (Austin, TX); Herb Pierce (Chehalis, WA)

To date, there has been no follow-up on the sites where the new cleanup method has been used. A third party contractor will be hired to monitor and assess whether bioremediation is working. Up to three rounds of samples will be taken and decisions and actions will be made at that time as to whether the bioremediation cleanup procedure will continue.

Ginny reported that the claimants seem to be pleased and there has been positive feedback with the new cleanup method. Also, real estate transactions do not seem to be hindered by the bioremediation. Homeowners are ensured that cleanup will be done up to MTCA standards and funds are available up to \$60,000 if the need should arise in the future.

### **Fiscal Status**

Lynn Gooding presented the committee with an overview of how the program is funded—the large fund (544) and the small fund (545)—providing figures for revenue and expenditures.

The revenue for the large fund comes from the Petroleum Products Tax (PPT) which is imposed on the first possessor of petroleum products in the state. The tax is triggered only when the balance is reduced to \$7.5 million. Once the balance reaches \$15 million

the tax is no longer collected. An estimated \$23 million of interest from the large fund has gone to the state's general fund. The large fund pays for the UST Reinsurance program as well as all oil heat claims.

The small fund receives its revenue from the oil heat dealers who pay six-tenths of a cent per gallon sold. That fee will be increased to one and two-tenths of a cent July 1, 2004. Every January the oil dealers report the amount of total gallons sold for the previous year to the Department of Licensing and a fee is collected based on that amount. The small fund pays the administrative costs of the oil heat program as well as the policy premium. The policy premium is at a rate of \$1.75 per registered tank. The insurance company reimburses PLIA \$500 for each claim, with a cap at \$50,000 per year.

PLIA is authorized to pay oil heat claims out of the large fund; however, the cost of claims is rising as well as the number of claims, which may pose concerns for those who do not use oil heat but still pay into the fund.

Roger wrapped up the meeting asking those on the committee to think about the following issues to discuss at the next meeting.

- ♦ Prevention
- ♦ Education for homeowners and dealers (mailings)
- ♦ Quality of tanks (recommended standards)
- ♦ Revenue and Costs (yearly fees, deductibles, etc.)

Jim Pendowski recommended a possible mass mailing giving owners a date to register their tank by or end up having to pay a deductible.

Dale commented that as this may bring revenue into the program, it may also lower the claims because homeowners will not want to pay the deductible, so continue to ignore the problem.

Members were asked to gather what information they could and forward it to PLIA in preparation for the next meeting. Jim Pendowski offered GIS mapping for the current data on heating oil tanks in the state. Tom Allen (Acme Fuel) may also be asked to speak at the next meeting.

The next Oil Heat Advisory Committee meeting will be held on July 8, 2004 at 9:00 a.m. in Olympia at the PLIA office.

Respectfully Submitted by:  
Xyzlinda Marshall  
Administrative Secretary

  
Approved by \_\_\_\_\_ Date \_\_\_\_\_